

PRE-NEED FUNERAL CONTRACTS

More and more North Dakotans are preplanning funerals for themselves or loved ones. A preplanned funeral can be a great consumer tool. It relieves your survivors of important and expensive decisions that must be made at a period of great grief and time constraints.

Many people are also choosing to pay for their funerals in advance. Prepaying, often called pre-need, generally has two components: a prearrangement agreement and a method to prepay the costs of the funeral. State law regulates pre-need funeral contracts and grants you certain rights as a consumer.

With the prearrangement agreement, the consumer selects the type of disposition and ceremony. The Federal Trade Commission's [Funeral Rule](#) requires funeral providers to itemize prices and provide you with price lists and information over the telephone to make it easier for you to shop around. Be sure to scrutinize the claims made by manufacturers of products such as caskets and burial vaults.

The funding mechanism could be a personal savings account or individual trust. A trust is an arrangement where one person holds something of value on behalf of another. In a pre-need funeral plan, the funeral director places your money in a separate, interest-bearing account. At your death, the money and the interest earned is released to the funeral home to pay for the services you purchased. You have the right to withdraw part or all of the money without the consent of the funeral home or cemetery association. However, the financial institution is required to provide notice to the funeral home or cemetery association if you withdraw funds. Funeral directors and cemetery associations who use pre-need funeral contracts must place a bond with the North Dakota Securities Commissioner to protect against fraud. This bond covers about 10 to 15 percent of the amount the funeral director has in outstanding funeral contracts. In addition, the funeral provider must report annually each individual pre-need funeral contract to the Securities Commissioner.

Before entering into a pre-need funeral contract, contact the Securities Commissioner to make sure the funeral provider is bonded. Then, after you enter into the contract, contact the Securities Commissioner again to make sure your contract has been properly reported. Be patient, though, because such reports are only required after the year ends. For instance, contracts entered into in 2002 need not be reported to the Securities Commissioner until January 31, 2003.

Pre-need funeral arrangements can help make things easier on you or your loved ones during a time of death. North Dakota's funeral industry has an excellent track record, and few complaints are logged. As with any consumer transaction, you should conduct business with local, established providers for the best service and consumer protection.

If you have any questions about pre-need funeral contracts, contact the North Dakota Securities Commissioner's Office at (701) 328-2910.